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when allowance is made for a depreciated currency. There is, of course, no reason why a deduction of the amount exempt should be allowed from all incomes.

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The Income Tax. A Study of the History, Theory, and Practice of Income Taxation at Home and Abroad. By EDWIN R. A. SELIGMAN. Second edition, revised and enlarged with a new chapter. (New York: The Macmillan Company. 1914. Pp. xi, 743. \$3.00.)

The first edition of Professor Seligman's book on the income tax appeared in February, 1911, and the second edition, revised and enlarged, is already at hand.

In the review of the first edition¹ the present reviewer cited and commented at some length upon the prophecy made by the author that: "The income tax is coming. Sooner or later the constitutional or political difficulties will be surmounted and the United States will fall into line with every other important country in the world" (p. 672). The fulfillment of that prophecy has come.² It is not often that a writer on finance finds one of his possibly daring prophecies fulfilled in so short a time.

The author did not have as good fortune with reference to state income taxes, which he was and is very much inclined to frown upon. For, almost immediately, Wisconsin disregarded his advice and adopted an income tax. As this tax, in 1912, its first year, yielded \$3,500,000, it renders invalid, for the time being at least, the statement (not corrected in the second edition, see p. 416) that "Virginia is the only state in which any appreciable income is derived from the income tax." A discussion of Wisconsin's experiment is introduced into the text (pp. 419 to 429) in place of the former sections on the "outlook for the future" and the "conclusion," *i.e.*, as to state income taxes. But, in general, the views expressed before are presented again in connection with the new data.

The discussion of the new federal income tax is printed as an appendix. This seems very wise from the publisher's standpoint, as there is still so much uncertainty as to the meaning of the law

¹ See AMERICAN ECONOMIC REVIEW, vol. I (December, 1911), p. 862.

² Strangely enough by some oversight—or was it intention—the prophecy, now fulfilled, is reprinted unchanged in the second edition.

on many points and as yet so very meager data on how it will actually work that these pages (675 to 704) must shortly be rewritten.

It will be remembered that in the first edition Professor Seligman laid down a "practicable programme." To this he adheres, reprinting it completely. A comparison of the "programme" with the new federal law, not forgetting Wisconsin's experiment, will possibly be an interesting mode of approach. The program opened with the demand that the income tax should be imposed and administered by the federal government alone. In so far as we have one new state income tax (and another, for Massachusetts, is being seriously considered), the demand of the program, that the income tax be imposed and administered by the federal government, even though the proceeds be divided among the states, is not yet conceded. But when it is noted that "the income tax is not needed for purposes of revenue in either the state or the nation" (p. 642),³ and more so, when we note that this judgment is sustained by the extremely low rates and high exemptions of the new tax, and that it yields but little new revenue, we may suspend judgment. The program may yet be followed.

Compared with the great "engines of the revenue," which the income taxes of Europe have been so well called, ours is like a child's toy locomotive. It has all the parts and runs by "truly steam"; it makes a loud noise, but it transports only tin soldiers.

As to the type of income tax, Congress followed the author's recommendation part way. We have a "stoppage-at-source" tax for taxable incomes under \$20,000, and a partial "lump-sum" income tax for larger ones. As to progression, also, the law regards the warning (p. 671), "it is clear that the adoption of the 'stoppage-at-source' scheme is incompatible with the general plan of a graduated income tax," follows the compromise suggested (p. 672), and introduces progression by the surtax method.

In the matter of schedules, the program has been largely followed in substance, but not verbally. Thus, corporate incomes are separately treated. The only difference here between the law and the program, is that the stockholder, not the corporation, is allowed to deduct from his taxable income dividends already taxed.

³This statement is found in both editions and is apparently inconsistent with the statement in the new edition (p. 675) that "the American law was enacted to compensate for the loss in revenue due to the new tariff." But, perhaps, the word "ostensibly" should be read into the last sentence. The fact that almost express provision is made in the law for a state to levy a surtax on the incomes taxed for federal purposes is also interesting.

The proposal of the program that "statutory" or constructive income be included in the taxable income was not followed. As this could not be done very successfully until after the administration has been fully developed, the present omission is not serious. The same remark may be made as to that part of the program relating to appraisal or assessment of business and professional incomes by assessors. Both of these may come later.

The main points in which the new law is criticised are:

- (1) That it does not avoid international double taxation (p. 676).
- (2) That rental values of residences occupied by the owners are not included (pp. 678-9).
- (3) That profits from the sale of property by individuals who are not dealers are included even when losses on exactly similar transactions cannot be allowed for (p. 681).
- (4) That all taxes paid may be deducted from taxable incomes (p. 684).
- (5) The compromise allowing corporations to deduct interest on debts up to only one half the sum of the capital stock and of the interest-bearing debts (p. 685).
- (6) That holding companies may not deduct dividends received from taxed corporations (p. 685).
- (7) That no compensation is allowed to the withholding agents for stopping the tax at the source (p. 695).
- (8) That corporations having the "tax-free" clause in their mortgage bonds have to pay the tax on the interest. This is characterized as a case of hitting the man not aimed at (p. 695).
- (9) That to avoid the above difficulty "information at the source," instead of "stoppage-at-source," as suggested by Professor Bullock and the trust companies during the consideration of the bill in Congress, was not at least partially adopted (p. 696).
- (10) That no attempt was made to introduce differentiation as between "earned and unearned" incomes (p. 702).
- (11) The failure to introduce proper administrative methods, so far as ordinary business incomes are concerned (p. 703).

The two last mentioned are called the "real defects," and "the only important criticisms to be urged against the law."

Throughout the discussion many points in the law are highly praised. The conclusion reached is:

Taking it all in all, the law must be pronounced an intelligent and well-considered effort. It will need amendment in detail to make it completely equitable in principle, and fairly smooth in operation. But when we compare it with our preceding ventures in this field, we may be proud of what has been accomplished. Indeed, the law may be declared to be in many respects superior to any other existing income-tax law. With the passage of time, and with the settlement by

economic science of some of the moot points in the theory of income, it may be expected that the law will gradually win its way to public recognition.

It is a good thing to have so important a book as this kept up to date. Of some thirty or more "corrections and additions" which the reviewer has found, many are mere corrections of those vexatious slips which no scholarly care seems able to avoid in first editions. (For example, p. 534, 1894 for 1895, and p. 575, 1870 for 1880.) Outside of these, the excellent and extended survey of the history of the income tax in England has been enriched by new references to rare records by contemporaries (see p. 136, footnote 1; p. 169, footnote), and by utilizing the results of the new studies by Osieroff, Nanes (p. 51 footnote), Kennedy and Moll (p. 49; also footnote, *idem*). The German imperial income tax is given a footnote (p. 272). The tables in the appendices to book I (p. 219) have been brought down to date and enlarged.

The more one uses this book with students, the more is one impressed with the thoroughness of the historical surveys, especially that of the English tax; while for the lawyer, the legislator, the tax administrator, and the business man, the book is no less valuable on account of its thorough treatment of the principles of existing income taxes and for the discussion of the controversial questions.

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The Disproportion of Taxation in Pittsburgh. By SHELBY M. HARRISON. (Reprinted from the Pittsburgh District: Civic Frontage, The Pittsburgh Survey. N.d. Pp. 156-213, 455-468.)

This monograph is the fruit of a supplementary investigation made under the auspices of the Pittsburgh Survey in the summer of 1910. Mr. Harrison's analysis of the situation, as it stood at that time, revealed two "glaring evils." The first was "the threefold classification of real estate." Only one half the full tax rate was applied in the case of real estate classed as "agricultural," and two thirds in the case of "rural" real estate; the full rate was applied to the so-called "city" real estate which comprised approximately three fourths of the land value in Pittsburgh. The concessions granted to the "agricultural" and "rural" classes, Mr. Harrison points out, not only encouraged